

## **Architecture Compensation**

The Minnesota Housing Finance Agency (Minnesota Housing) at time of selection determines if proposed architectural/engineering fees are reasonable for the proposed project scope and comparable to similar developments. To determine if proposed fees are reasonable, the Minnesota Housing has developed a compensation schedule (Percentage Rate Fee Schedule) for new construction projects applicable to townhouses and/or three stories or less apartment buildings used for general occupancy rental housing.

Minnesota Housing realizes the importance of Architects receiving adequate compensation for professional services. In addition, Minnesota Housing realizes not every project is the same and there are often projects types that are inherently complicated and characterized by uncertainties. Therefore the compensation schedule is not intended to be used for projects involving buildings more than three stories, rehabilitation, adaptive reuse, conversions, or projects with a mix of building types and/or buildings with multiple uses. Architectural fees for these types of projects shall be negotiated and approved by Minnesota Housing prior to executing the Owner-Architect agreement.

**Purpose:** To provide reasonable compensation to Architects performing professional services so they have the wherewithal to deliver the appropriate level of service.

### **Requirements:**

1. To determine fee reasonableness Minnesota Housing uses the following Percentage Rate Fee Schedule:

<b>Percentage Rate Fee Schedule</b>		
Construction Cost	Maximum Design %	Maximum Construction Administration %
\$300,000	6.50	2.16
\$500,000	6.00	2.00
\$1,000,000	5.00	1.67
\$2,000,000	4.50	1.50
\$3,000,000	4.00	1.33
\$4,000,000	3.50	1.17
\$5,000,000	3.20	1.07
\$6,000,000	2.90	.97
\$7,000,000	2.70	.90
\$8,000,000	2.50	.83

\$9,000,000	2.35	.75
\$10,000,000	2.20	.73
≥\$12,000,000	2.10	.70

Percentage Rate Fee Schedule Notes:

- Maximum allowances for design and construction administration are calculated on gross construction cost.
- Gross construction cost excludes bond and permit fees.
- Fee calculation does not include reasonable allowances for reimbursable expenses like bid document reproduction or travel.
- Fee calculation includes normal Civil, Landscape, Architectural, Structural, Mechanical, and Electrical Engineering services.
- The percentage rates shall be adjusted proportionately (interpolated and rounded to two places beyond the decimal point) when construction cost falls between two percentage rates. Refer to example below:

Example: If the gross construction cost is equal to \$650,000, the maximum design and construction administration percentage rates are calculated as follows:

$$\text{Design Fee} = 5.00 - \frac{(5.00 - 4.50) \times (650,000 - 500,000)}{500,000} \text{ or } 4.85\%$$

$$\text{Construction Admin. Fee} = 1.67 - \frac{(1.67 - 1.50) \times (650,000 - 500,000)}{500,000} \text{ or } 1.62\%$$

2. Through negotiations between the Owner and Architect a fee shall be agreed upon and approved by Minnesota Housing.
3. The fee allowance for design (75%) is normally available at time of Loan Closing upon completion and Minnesota Housing approval of final Contract Documents. Any budgeted reimbursable expenses incurred to date may also be drawn down at this time.
4. The fee allowance for construction contract administration (25%) is provided in monthly payments at a rate equal to completion of the work plus any budgeted reimbursable expenses incurred to date. Final payment to Architect is withheld until final payment to the Contractor or satisfaction that professional services are 100% completed.